

Internal Revenue Service

Department of the Treasury

District
Director

1100 Commerce St., Dallas, Texas 75242

Date: MAY 23 1995

Employer Identification Number:

Case Number:

Contact Person:

Contact Telephone Number:

Reply Refer To:

Dear Applicant:

We have completed our consideration of your application for exemption from Federal income tax under section 501 (c) (6) of the Internal Revenue Code as a business league.

Your organization was incorporated on [REDACTED]. According to your articles of incorporation and bylaws the purpose of the organization is to promote cultural, educational, community and other programs; and in furtherance of such purpose to engage in and conduct promotional programs and publicity, special events, decorations and cooperative advertising in the general interest and for the benefit of the center.

Financial statements and copies of Form 1120 U. S. Corporation Income Tax Returns for the tax years of [REDACTED] through [REDACTED] show that all of your revenue is from required tenant monthly dues and the matching amount from the owner of the center. The major portion of the expenses related to the promotion of the shopping center. In the year of [REDACTED] of the \$[REDACTED] spent, [REDACTED] was given to area schools. Sponsorship of public and religious radio programs constitutes advertisement for the shopping center.

Based on the information you submitted, your primary activity is providing promotion of the shopping center and promotions for your members. The fact that you are not directly advertising the shopping center and its merchants does not preclude these activities from being considered as advertisement. Sponsorship of events and giveaways sponsored by the center serve to promote the center and the business interest of the member merchants therein. Although we were not provided with copies of the promotions you ran in the newspaper and on the radio the fact that they are sponsored by the center constitutes advertisement and benefit to the members.

Section 501 (c) (6) of the Internal Revenue Code provides exemption for:

"Business leagues, chambers of commerce, ...not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that, for an organization to be exempt, its activities must be:

"directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons..."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit...even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining..."

The activities of a business league must be directed to the improvement of business conditions of one or more lines of business in order to qualify for exemption. However, the activities cannot be directed to the performance of particular services for individuals and still qualify for exemption.

Advertising which carries the names of members generally constitutes the performance of particular services for members. Thus, Revenue Ruling 64-315, 1964-2 Cumulative Bulletin 147, held that an association of merchants in a particular shopping center whose advertising material contained the names of the individual merchants was denied exemption.

Based on the information you have provided, we have concluded that your promotion of the shopping center is advertising and constitutes particular services for your members. In addition, the only element each member has in common is the promotion of their stores which is not within the meaning of a common business interest. Finally, you do not promote one or more lines of business, you only promote the business activities of the businesses located in [REDACTED]. Accordingly, since you fail to meet the requirements for tax exemption under section 501 (c) (6) of the Internal Revenue Code, exemption is denied.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 5018 in the enclosed self-addressed envelope as soon as possible.

You should continue to file corporate Federal income tax returns on Form 1120 as you have done since the organization was formed.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instruction for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, the proposed determination will become final.

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We have sent a copy of this letter to your representative as indicated in your power of attorney.

A large black rectangular redaction box covering the signature area.

District Director

Enclosures:
Form 6018
Publication 892